

Assembly Hearing Slip

(Please print plainly)

Date: 11/19/97
 Bill No. AB 389
 Or, _____
 Subject _____
 (Name) Per Danny Lucas
S Hunt
 (Street Address or Route Number) _____
 (City & Zip Code) _____
 (Representing) _____

Speaking in favor: ☒
 Speaking against: ☐
 Registering in favor: ☐
 Registering against: ☐
 Speaking for information only:
 Neither for nor against: ☐
 Please return this slip to a messenger promptly.
 Assembly Sergeant at Arms:
 Room 411 West
 State Capitol
 Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: NOV 20/97
 Bill No. AB 389
 Or, _____
 Subject _____
 (Name) Kurt Bauer
PO Box 1667
 (Street Address or Route Number) MADISON WI 53701
 (City & Zip Code) WIS. BANKERS ASSN.
 (Representing) _____

Speaking in favor: ☐
 Speaking against: ☒
 Registering in favor: ☐
 Registering against: ☐
 Speaking for information only:
 Neither for nor against: ☐
 Please return this slip to a messenger promptly.
 Assembly Sergeant at Arms:
 Room 411 West
 State Capitol
 Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: 11-20-97
 Bill No. AB 389
 Or, _____
 Subject _____
 (Name) Joanne Picca
6333 W Bluemound
 (Street Address or Route Number) WILWAUKEE 53211
 (City & Zip Code) WI State AFL-CIO
 (Representing) _____

Speaking in favor: ☐
 Speaking against: ☐
 Registering in favor: ☒
 Registering against: ☐
 Speaking for information only:
 Neither for nor against: ☐
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 State Capitol
 Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: 11-20-97
Bill No. AB 389
Or
Subject _____

(Name) Kelly Kennedy
114 East
(Street Address or Route Number)
Capitol
(City & Zip Code) D. O. J.
(Representing)

Speaking in favor: ☐
Speaking against: ☐
Registering in favor: ☐
Registering against: ☒
Speaking for information only: ☐
Neither for nor against: ☐

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Room 411 West
State Capitol
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: 11-20-'97
Bill No. AB389
Or
Subject _____

(Name) Doug Johnson
3005 Mifflin
(Street Address or Route Number)
Madison 53703
(City & Zip Code)
WT Merchants Fed.
(Representing)
Midwest Hardware
Speaking in favor: ☐ Ann.

Speaking against: ☐
Registering in favor: ☐
Registering against: ☒
Speaking for information only: ☐
Neither for nor against: ☐

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Assembly Sergeant at Arms
Room 411 West
State Capitol
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: 11/20/97

Bill No. AB 389

Or
Subject

MICHAEL R. VAUGHAN

(Name)

P.O. BOX 2038

(Street Address or Route Number)

MADISON, WI 53701

(City & Zip Code)

~~MICHAEL R. VAUGHAN~~
(Representing)

WISCONSIN BANKERS ASSOCIATION

Speaking in favor: ☐

Speaking against: ☐

Registering in favor: ☐

Registering against: ☒

Speaking for information only: ☐

Neither for nor against: ☐

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Assembly Sergeant at Arms
Room 411 West
State Capitol
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: November 20, 1997

Bill No. AB 389

Or
Subject

JOHN C. VINELINE

(Name)

777 E. Wisconsin Ave.

(Street Address or Route Number)

MILWAUKEE WI 53202

(City & Zip Code)

~~JOHN C. VINELINE~~
(Representing)

FIRESTAR CORPORATION

Speaking in favor: ☐

Speaking against: ☐

Registering in favor: ☐

Registering against: ☒

Speaking for information only: ☐

Neither for nor against: ☐

Please return this slip to a messenger promptly.

Assembly Sergeant at Arms
Room 411 West
State Capitol
Madison, WI 53702



CLIFFORD OTTE

WISCONSIN STATE REPRESENTATIVE
27TH ASSEMBLY DISTRICT

December 9, 1997

TO: Members,
Assembly Committee on Consumer Affairs

FROM: Representative Clifford Otte, Chair

RE: Future Meetings

At this time, I intend to schedule two more meetings for the Committee, **January 29** and **February 26**. PLEASE MARK YOUR CALENDARS and KEEP THESE DATES FREE.

Tentatively, our agenda on January 29 will include (but will not necessarily be limited to) a hearing on AB 400 and AB 466, (previously scheduled for December 4), and executive action on AB 389, AB 416 and SB 322.

Assembly

Record of Committee Proceedings

Committee on Consumer Affairs

Assembly Bill 389

Relating to: permissible fees on open-end consumer credit plans.

By Representatives Cullen, Ryba, Schneider, Hoven, Musser, Bock, R. Young, Sykora, Kreuser, Albers, J. Lehman, Baumgart, Carpenter, Powers, Williams, Notestein, Hahn, Harsdorf, L. Young and Gronemus; cosponsored by Senators Risser and Clausung.

May 27, 1997 **Referred to committee on Consumer Affairs.**

November 20, 1997 PUBLIC HEARING HELD

Present: (7) Representatives Otte, Johnsrud, Ott, M. Lehman, Urban, Hasenohrl and Black.

Absent: (1) Representative Williams.

Appearances for

- Representative David Cullen, author

Appearances against

- Kurt Bauer, Madison, Wisconsin Bankers Association

Appearances for Information Only

- None.

Registrations for

- Joanne Ricca, Milwaukee, Wisconsin State AFL-CIO
- Kelly Kennedy, Wisconsin Department of Justice

Registrations against

- Doug Johnson, WI Merchants Federation and the Midwest Hardware Association
- John C. Yingling, Milwaukee, Firststar Corporation
- Michael R. Vaughan, Madison, Wisconsin Bankers Association

January 29, 1998

EXECUTIVE SESSION

Present: (8) Representatives Otte, Johnsrud, Ott, M. Lehman, Urban, Williams, Hasenohrl and Black.

Absent: (0) None.

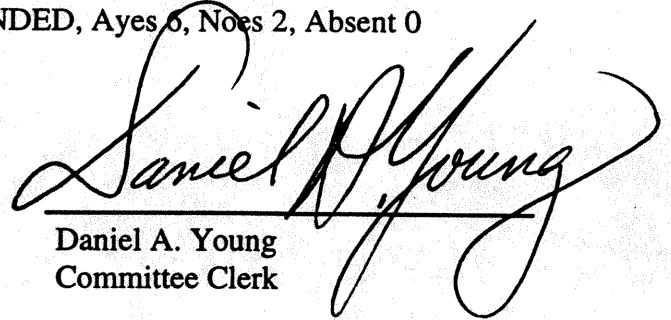
Moved by Representative Hasenohrl, seconded by Representative Williams, that **Assembly Bill 389** be recommended for passage.

Ayes: (6) Representatives Otte, Ott, Urban, Williams, Hasenohrl and Black.

Noes: (2) Representatives Johnsrud and M. Lehman.

Absent: (0) None.

PASSAGE RECOMMENDED, Ayes 6, Noes 2, Absent 0



Daniel A. Young
Committee Clerk

Assembly

Committee Report

The committee on Consumer Affairs, reports and recommends:

Assembly Bill 389

Relating to: permissible fees on open-end consumer credit plans.

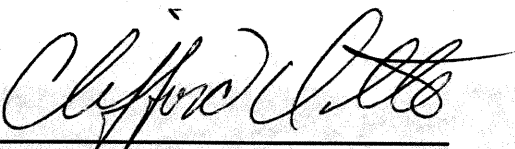
By Representatives Cullen, Ryba, Schneider, Hoven, Musser, Bock, R. Young, Sykora, Kreuser, Albers, J. Lehman, Baumgart, Carpenter, Powers, Williams, Notestein, Hahn, Harsdorf, L. Young and Gronemus; cosponsored by Senators Risser and Clausen.

PASSAGE RECOMMENDED, Ayes 6, Noes 2, Absent 0

Ayes: (6) Representatives Otte, Ott, Urban, Williams, Hasenohrl and Black.

Noes: (2) Representatives Johnsrud and M. Lehman.

Absent: (0) None.



Representative Clifford Otte
Chair

Vote Record

Assembly Committee on Consumer Affairs

Date: 1-29-98
 Moved by: Hasenohrl Seconded by: Williams
 AB: 389 Clearinghouse Rule: _____
 AB: _____ SB: _____ Appointment: _____
 AJR: _____ SJR: _____ Other: _____
 A: _____ SR: _____

A/S Amdt: _____
 A/S Amdt: _____ to A/S Amdt: _____
 A/S Sub Amdt: _____
 A/S Amdt: _____ to A/S Sub Amdt: _____
 A/S Amdt: _____ to A/S Amdt: _____ to A/S Sub Amdt: _____

Be recommended for:

☒ Passage

☐ Introduction

☐ Adoption

☐ Rejection

☐ Indefinite Postponement

☐ Tabling

☐ Concurrence

☐ Nonconcurrence

☐ Confirmation

Committee Member

Rep. Clifford Otte, Chair

Rep. DuWayne Johnsrud

Rep. Alvin Ott

Rep. Michael Lehman

Rep. Frank Urban

Rep. Annette Polly Williams

Rep. Donald Hasenohrl

Rep. Spencer Black

Aye

No

Absent

Not Voting

☒

☐

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Totals:

6

2

0

0

☒ Motion Carried

☐ Motion Failed

Assembly

Preliminary

Record of Committee Proceedings

Committee on Consumer Affairs

Assembly Bill 389

Relating to: permissible fees on open-end consumer credit plans.

By Representatives Cullen, Ryba, Schneider, Hoven, Musser, Bock, R. Young, Sykora, Kreuser, Albers, J. Lehman, Baumgart, Carpenter, Powers, Williams, Notestein, Hahn, Harsdorf, L. Young and Gronemus; cosponsored by Senators Risser and Clausung.

May 27, 1997

Referred to committee on Consumer Affairs.

November 20, 1997

PUBLIC HEARING HELD

Present: (7) Representatives Otte, Johnsrud, Ott, M.
Lehman, Urban, Hasenohrl and Black.
Absent: (1) Representative Williams.

Appearances for

- Representative David Cullen, author

Appearances against

- Kurt Bauer, Madison, Wisconsin Bankers Association

Appearances for Information Only

- None.

Registrations for

- Joanne Ricca, Milwaukee, Wisconsin State AFL-CIO
- Kelly Kennedy, Wisconsin Department of Justice

Registrations against

- Doug Johnson, WI Merchants Federation and the Midwest Hardware Association
- John C. Yingling, Milwaukee, Firststar Corporation
- Michael R. Vaughan, Madison, Wisconsin Bankers Association

Daniel A. Young
Committee Clerk



Wisconsin Merchants Federation

The Voice Of Wisconsin Retailing

30 West Mifflin Street
Madison, Wisconsin 53703
Telephone 608/257-3541
Fax 608/257-8755
E-mail wimerfed@excpc.com

Memo

OFFICERS

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The Board**
Alan Rudnick
R. Rudnick, Inc.
Sheboygan

Vice Chair
Dave Liebergen
Shopko Stores
Green Bay

Secretary
Jeff Rusinow
Kohl's Department Stores
Menomonee Falls

Treasurer
Fritz Ragatz
Oriental Specialties
Madison

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President/CEO
Chris C. Tackett

**Sr. Vice President
& General Counsel**
Douglas Q. Johnson

V.P./Administration
Mary C. Kuja

To: Members of the Assembly Consumer Affairs Committee

From: Wisconsin Merchants Federation

Re: Oppose AB 389: Keep Competitive Markets

Date: January 27, 1998

Two years ago, Wisconsin joined nearly 40 other states in deregulating consumer credit card rates and fees. This was an important advance for Wisconsin. The combination a competitive national credit market, court cases and federal laws regulating national credit providers resulted in more than 90 percent of credit used in Wisconsin to be from out of state banks. Consequently, Wisconsin lenders and retailers were stymied by artificial market limitations that hurt lenders, consumers and Wisconsin's economy.

The deregulation of Wisconsin's credit industry brought advances to our state. In the first year after deregulation, hundreds of jobs were created as national companies expanded their presence in Wisconsin. In fact, Wisconsin is now America's leading lender for retail farming equipment and supplies. These advances, and others like them, could not have been achieved without our legislature's foresight and support in allowing Wisconsin to compete in national markets.

Your committee is considering AB 389 which would begin to regulate the credit industry again. While we understand your interest in protecting consumers, you need not be concerned in this area. There is significant competition in the credit industry. This competition gives consumers credit choices and a fair price. There is no need for regulation in this type of competitive market. Additionally, regulating credit practices in Wisconsin may cause local merchants to abandon in house credit which would cause Wisconsin consumers to turn to out of state sources for their credit needs.

We urge you to oppose AB 389; not only because it is unnecessary but also because it would derail Wisconsin's significant progress in the area of deregulation. Thank you.

**The Economic Impacts of Revolving Credit
Regulation in Wisconsin**

April 1995

**James M. Johannes
Professor and Chair
Department of Finance, Investment & Banking
School of Business
University of Wisconsin-Madison**

Executive Summary

The weight of evidence from other studies, the fact that revolving credit issuers are indeed leaving Wisconsin, and the analysis and data presented in this study all support the conclusion that rate and fee restrictions weigh heavily in business decisions to locate/relocate business operations between States. Credit rate/fee limitations are counterproductive to economic development, job retention and job growth. Moreover, these economic development and employment losses are not offset by other benefits to consumers. This study reaches several conclusions.

1. Access to national markets demonstrates that the finance charge paid by consumers will ultimately be determined by market forces. The only real issue for state legislators is jobs. States that continue to impose ceilings on finance charges will lose jobs. Those states will also miss the opportunity for job growth in maturing and emerging national credit markets. In Wisconsin continuation of credit limitations risks the loss of between 1500 to 3000 jobs in the short term. In the long term, continued rate and fee limitations will not permit Wisconsin to compete for jobs and other economic benefits (increased tax base) otherwise available to most other states (those states which have not enacted or have repealed outdated usury laws).
2. Most states now recognize the adverse economic consequences of usury ceilings and have moved to deregulate rates and fees. Twenty three states are now completely deregulated. Four are considering deregulation. Only nine states still cap rates at 18% or less.
3. There is significant competition in the revolving credit industry. This competition gives consumers credit choices and a fair price. Almost all consumers have access to credit unions whose purpose and mission is to provide financial services at a fair price to consumers. There is no need for regulation of credit prices in this type of competitive market.

4. Deregulation has little effect on interest rates consumer pay for revolving credit. In the modern financial marketplace, mobility of providers of credit and access to national markets by both providers and users of credit ensures that markets set prices. States cannot set credit prices but can adversely affect credit availability and job creation/retention through out-of-date and unrealistic usury limits.
5. Rate deregulation experience with the 92% of consumer borrowing that is not regulated shows competitive markets work, and consumers are not "gouged." The remaining 8% of the credit market that is regulated can be deregulated without risk of harm to consumers.
6. Two-thirds of revolving credit expenditures by Wisconsin residents are financed by credit cards issued in other states, used by and marketed to Wisconsin consumers. The rates and fees on these out-of-state cards are unaffected by Wisconsin usury limits.
7. By imposing binding usury limits on issuers and by prohibiting the importation of out-of-state rates, states will only guarantee that some of their residents are denied access to credit.
8. It is ironic that if the goal of "consumer protection" is to save consumers money something other than the regulation of revolving credit has not been chosen. Consumers spend far more on food, transportation, housing, and entertainment. Reducing typical consumer credit card rates by 3% saves only about \$2.25 a month on a typical bankcard account or \$0.58 a month on a typical merchant account.
9. State credit limits have encouraged merchants to abandon in house credit and this has cost consumers a local source of credit. Under binding usury limits cash customers subsidize credit users. It is likely that state usury debates would take on a different tone if the issue wasn't politically framed as "consumer protection" but rather economically framed as "should state law require cash payers to subsidize credit users."

Credit card issuers charge for paying on time

By Christine Dugas
USA TODAY

NEW YORK — Credit card issuers are trying to squeeze more profits out of card holders who pay their bills in full every month.

These so-called convenience users charge everything from groceries to automobiles, often to accumulate points in an award program. They seldom pay an annual fee, and get an interest-free loan for 25 days, the typical card's grace period, before interest charges start.

"Most people consider it a

plus to be debt-free," says Ruth Susswein, executive director of Bankcard Holders of America.

But not the card industry. It considers convenience users freeloaders because they don't generate interest revenue, which is the real money-maker for card companies.

The transaction fees generated by most convenience users don't cover an account's administrative costs, industry experts say. That's no small matter: About one-third of all card holders are convenience users, says Robert McKinley, president of card tracker RAM

Research. And they account for half of all charges.

As a result, some card issuers are slapping convenience users with new fees. Others are cutting back on costly rewards programs and reducing or eliminating the grace period.

Here's how issuers are trying to make card holders pay:

► In September, GE Rewards MasterCard became the first major issuer to charge convenience users a \$25 annual fee.

► Next month, NationsBank will begin charging its Blockbuster Visa card holders a \$20

annual fee if they pay their balances each month.

► Ameritech, a regional telephone company, this month eliminated the grace period on its Complete Card. As a sweetener, it increased the maximum cash reward that can be earned. But interest now begins accruing the day a purchase is made.

Ameritech says card holders can opt out of that program to keep the 25-day grace period and lower award.

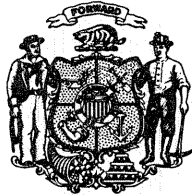
► First Union Bank is charging \$20 if card holders are just one day late paying a bill.

► Northwest Airlines' WorldPerks Visa cut its grace period to 20 days from 25 last year and raised its annual gold card fee from \$85 to \$90.

These changes can be tricky. This month, First Union Bank told card holders it would charge \$5 for accounts that have been inactive for 180 days and \$10 to close an account. After customers complained, it dropped the fees.

Says Bankcard Holders' Susswein: "What is particularly disturbing is that card issuers feel the need to penalize more responsible card holders."

From USA Today, 3/31/97



DAVID CULLEN

STATE REPRESENTATIVE

October 23, 1997

Rep. Clifford Otte
109 West, State Capitol
Madison, WI INTER-D

Dear Representative Otte,

Thank you for your response to my recent letter requesting a hearing for Assembly Bill 389. I appreciate the timeliness of your reply.

With the number of bills referred to committee and circumstances surrounding the legislative process, I know that it is difficult as a committee chair to facilitate hearings which satisfy all parties. I would, however, greatly appreciate anything you could do to place AB 389 on the agenda for the proposed December 4th hearing.


If I may in any way be of assistance or if you have any questions, comments or concerns, please feel free to contact me any time. Thank you in advance for your time and consideration.

Sincerely,

A handwritten signature in cursive script that reads "David".

DAVID A. CULLEN
State Representative
13th Assembly District

DAC:mw



October 22, 1997

Representative David Cullen
5 North, State Capitol
Madison, WI INTER-D

Dear Representative Cullen:

Thank you for your letter requesting a public hearing on Assembly Bill 389. At this point I have a backlog of such requests, which I am attempting to honor.

My ability to hold hearings has been hindered by a number of circumstances generally beyond my control. These include the budget delay, a conflict in scheduling with a committee that I am vice-chair of, and a "policy" that has been "established" generally prohibiting holding any committee meetings on session days. The latter policy will likely preclude me from scheduling any committee meetings in November.

I have added your request to the growing list and I hope to hold a hearing on your bill on either December 4 or January 29. If you have any questions, please contact me or the committee clerk, Dan Young.

Your bill does sound like a good idea.

Sincerely,

CLIFFORD OTTE
Chairman
Assembly Committee on Consumer Affairs.

CO:bmd



DAVID CULLEN

STATE REPRESENTATIVE

October 16, 1997

Representative Clifford Otte
109-West, State Capitol
Madison, WI INTER-D

Dear Representative Otte: *Cliff*

I recently received an advance notice for the Assembly Committee on Consumer Affairs October 23rd hearing. One of my bills, AB 389, which was referred to this committee last May, has not yet been given the opportunity to receive a public hearing. I am writing to request that you consider adding AB 389 to the upcoming hearing agenda.

AB 389 would prohibit credit lenders from charging fees to individuals merely for paying their credit card bills on time. Dubbed the "Convenience User Credit Fee" bill, it has received much bipartisan support and public sympathy. I urge you give the public an opportunity to voice their opinion on this issue at the upcoming hearing.

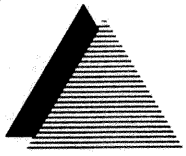
Thank you in advance for your time and consideration. Please feel free to contact me any time if you have any questions or if I may be of any assistance. I look forward to hearing from you.

Sincerely,

A handwritten signature in cursive script, appearing to read "David".

DAVID A. CULLEN
State Representative
13th Assembly District

DAC:mw



**WISCONSIN
BANKERS
ASSOCIATION**

One East Main Street, Suite 200 • Madison, Wisconsin 53703
P.O. Box 1667 • Madison, Wisconsin 53701 • Telephone (608) 256-0673 • FAX (608) 256-7162

January 28, 1998

The Honorable Clifford Otte
State Representative
State Capitol
Madison, Wisconsin 53702

RE: AB 389

Dear Representative Otte:

The Wisconsin Bankers Association – the state's largest financial industry trade group – strongly opposes AB 389 related to permissible fees on open-end consumer credit plans.

The reason for WBA's opposition is simple, AB 389 doesn't apply to card issuers charging the fee that the bill seeks to prohibit. Instead, the bill applies only to those who are not charging this fee. More specifically, AB 389 would not prohibit Citibank, Bank of America, MBNA or any other credit card issuer – bank or otherwise – from charging a full-payment fee.

It would, however, prohibit Marshall & Ilsley and First Financial – the only major bank credit card operations still located in Wisconsin – from charging those fees.

The reason is that national banks chartered outside Wisconsin and other out-of-state lenders are not subject to Wisconsin's consumer laws. This principle has been upheld by the US Supreme Court on several occasions, most recently in the case of *Smiley v. Citibank* (South Dakota) in 1996.

During the 1995-96 session, the Legislature saw fit to remove the out-dated fee and rate caps on credit cards issued in Wisconsin. That deregulation was a positive step forward to keep the remaining Wisconsin card issuers competitive. Passage of AB 389 would be a giant step backwards toward increased – and unnecessary – over-regulation.

WBA believes that the marketplace and individual Wisconsin consumers should decide the cost of all lender products and services, not the government. I am sure that you are aware that there is no shortage of credit card issuers looking for new customers.

That translates into consumer choice. If consumers do not like paying the fees associated with their current credit card, they may very easily choose another from the myriad of offerings available to them.

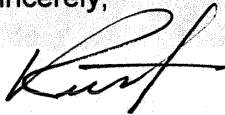
What that means is that AB 389 is unnecessary. It will not apply to those out-of-state lenders who are imposing these fees. It will apply only to Wisconsin lenders who are not charging these fees.

Then why be concerned, I was asked at the hearing, if Wisconsin issuers aren't imposing these fees? I could as easily answer with another question: Why give consideration to a bill that is a nullity because it won't apply to the only issuers (out-of-state issuers) that are engaging in the practice?

The real answer is that by imposing a regulation that is unnecessary and not applicable to those imposing the fee, the bill adds one more "phantom" regulation to Wisconsin laws. This unnecessary regulation is an empty gesture and not pro-consumer for Wisconsin card holders. The marketplace has demonstrated that it works. Trust it!

It is for these reasons that the Wisconsin Bankers Association strongly opposes AB 389 and urges you to vote against the bill in executive session.

Sincerely,



Kurt R. Bauer
Director-Government Relations

cc: The Honorable Scott R. Jensen
The Honorable Steven M. Foti



DAVID CULLEN

STATE REPRESENTATIVE

DATE: 1/28/98

TO: Members of the Assembly Consumer Affairs Committee

FROM: Representative David Cullen

A handwritten signature in cursive script, appearing to read "David Cullen".

RE: Support AB 389—Convenience User Credit Fees

You may have received a letter from the Wisconsin Bankers Association regarding their opposition to AB 389, which would prevent credit card lenders from imposing a fee solely because a customer does not incur a finance charge within the payment period

The bulk of their opposition stems from the assertion that this bill will unquestionably limit only Wisconsin based card issuers, sighting the recent US Supreme Court case of *Smiley v. Citibank*. **So far, however, there has been no ruling regarding these fees.** The case mentioned dealt specifically with late fees and other interest related charges, yet makes no mention of penalties for timely payment. As no interest is accrued or related to this fee, it would be difficult to argue that a convenience user fee is in fact an interest charge.

Again, let me make clear that no judicial precedent has been set regarding out of state compliance with Wisconsin consumer law with respect to convenience user credit fees. I would appreciate your support of this bill at the upcoming executive session. Please feel free to contact me any time with any questions, comments or concerns.